University Hospital Basel

Financial Ressort – Fund Controlling

Factsheet about EU's FP7 (V.1.01)

Major Characteristics in Brief

On the following pages you will find useful advices for the execution of FP7-Projects at the University Hospital Basel, Switzerland. If you need any further assistence, feel free to contact the department „Fondsbuchhaltung/Drittmittelcontrolling“. Contact information is available on the last page.

Bank Account

- Recommendation: Use the bank account mentionned in the grant agreement exclusively for handling the project fund.
- The requirement is necessary for the identification of interest and any other costs. It is also necessary for supporting later upcoming audits and permanent control purposes.
- If an existing account/sub-account/internal fund is used, the accounting methods have to be as detailed as possible that a clear view on the project costs is possible.

Certificate on the financial statements (and certificates on the methodology)

- These certificates must be submitted following the templates provided in Annexes D and E of the GA. Those models are compulsory.
- The certificates must be must be prepared and certified by an auditor qualified in accordance with national legislation implementing Directive 2006/43 on statutory audits of annual accounts and consolidated accounts or any Community legislation replacing this Directive. Beneficiaries established in third countries shall comply with national regulations in the same field.
- More information about the certificates and the audit process can be found at the following address:

  ftp://ftp.cordis.europa.eu/pub/fp7/docs/guidelines-audit-certification_en.pdf

Consumables

- Any consumables necessary for the implementation of the project may be considered as direct eligible costs.
- Consumable costs cannot be charged as direct costs, but as indirect costs **if** it is the usual practice of the beneficiary that consumable costs are considered as indirect costs.
- Consumables are only eligible costs under the project if bought after the start date of the project.

Documents

Keep the originals, or in exceptional cases, where the national legislation accepts or contemplates this possibility, duly authenticated copies – including electronic copies – of all documents relating to the grant agreement for up to five years from the end of the project.

Eligebility Criteria for Costs

Costs are considered eligible when they:

- **are actual** (Article II.14.1.a) of ECGA
  - ➔ *Costs must be actually incurred (actual costs). That means that they must be real and not estimated, budgeted or imputed.*
  - ➔ *Where actual costs are not available at the time of establishment of the financial statements, the closest possible estimate can be declared as actual if this is in conformity with the accounting principles of the beneficiary. This must be mentioned in the financial statement. Any necessary adjustments to these claims must be reported in the financial statement for the subsequent reporting period.*
- **incurred by the beneficiary** (Article II.14.1.b) of the ECGA)
  - ➔ *Supporting documents proving occurrence, the bookkeeping and the payment of the costs by the beneficiaries must be kept for all costs and for up to five years after the end of the project.*

- **incurred during the duration** of the project, with the exception of costs relating to final reports and certificates on the financial statements (Article II.14.1.c) of the ECGA)

  ➔ *Only costs generated during the lifetime of the project can be eligible; as a result the period during which the project starts determines the beginning of the period of eligibility of the corresponding costs.*

  ➔ *<u>Can depreciation costs for equipment used for the project but bought before the start of the project be eligible?</u>*

  If the equipment has not yet been fully depreciated according to the usual accounting practices of principles of the beneficiary, then the remaining depreciation (according to the amount of use, in percentage and time) can be eligible under the project.

  ➔ *Costs related to preparing, submitting and negotiating the proposal can never be charged to the project.*

- **are determined according to the usual accounting and management principles** and practices of the beneficiary identifiable and verifiable (Article II.14.1.d) of the ECGA)

  ➔ ***Attention:*** *VAT could be considered as a cost by the accounting of a beneficiary, but this cannot be used to claim it as an eligible cost with an FP7 project, as* ***VAT is not eligible cost*** *(article II.14.3.a)*

- **are used for the sole purpose** of achieving the objectives of the project and its expected results, in a manner consistent with the principles of economy, efficiency and effectiveness (Article II.14.1.e) of ECGA)

- **are recorded in the accounts of the beneficiary** and, in the case of any contribution from third parties, recorded in the accounts of the third parties (Article II.14.1.f) of the ECGA)

- **have been indicated in the estimated overall budget** annexed to the ECGA – Annex I (ArticleII.14.1.g) of the ECGA)

Non-Eligible Costs:

The standard model provides that the following costs are not eligible:

- **identifiable indirect taxes including value added tax (VAT)**.
    - In general, only charge the net value of the invoice, provided that all eligibility criteria are met.
    - Identifiable VAT is not eligible.
    - Indirect taxes will be allowed when not identifiable. This may be for example the case with foreign invoices where the price indicated is gross without identifying the tax. In any case, the beneficiary must be able to justify this in the event of an audit.

        ➔ ***The particular case of airport taxes***

        In general, airport taxes are not real taxes in the sense of tax law but a fee for a service delivered by a public or semi-public body in charge of a (public) service, such as airports. In this case the airport taxes imposed by these authorities may be considered a fee and therefore eligible because they are neither a duty nor an indirect tax.
        Usually the invoice makes reference to "service charge", "charge" etc…
        If the invoice, however, only mentions "airport taxes", the beneficiary should use other means to prove that the so called "airport tax" is not a tax.
        Conclusion: It can be said that when airport taxes are not identifiable, they are eligible, but when airport taxes are identifiable, the nature of the tax has to be examined according to the point above.

- **duties**: mean the amount assessed on an imported or (less often) exported item, nearly equivalent to taxes, embracing all taxation or charges levied on persons or things [or the tax imposed on the importation, exportation, or consumption of goods]
- **interest owed**
- **provisions** for possible future losses or charges
- **exchange losses**, cost related to return on capital
- **costs** declared or incurred, or reimbursed in respect **of another EU/Euratom project**, (avoiding double funding)
- **debt and debt service charges, excessive or reckless expenditure**: ***Excessive*** *must be understood as paying significantly more for products, services or personnel than the revailing market rates.* ***Reckless*** *means failing to exercise care in the selection of products, services or personnel resulting in an avoidable financial loss to the project.*

Equipment Costs

- Only equipment purchased or used for the purposes of carrying out the action can be charged as direct costs.
- However, do not charge the invoice costs but do charge the depreciation of the equipment in each relevant periodic report. Depreciated costs of equipment can never exceed the purchase price of the equipment.

  ➔ Beneficiaries should be aware that not doing so and charging the full price of an asset in one single year **might be considered an "excessive" cost** and therefore be considered ineligible.

- Depreciation costs for equipment used for the project but bought before the start of the project are eligible.
- Always consider that VAT is not eligible.

Indirect Costs

- All eligible costs which cannot be identified by the beneficiary as being directly attributed to the project, but which can be identified and justified by its accounting system as being incurred in direct relationship with the eligible direct costs attributed to the project.
- Indirect costs, also called overheads, are all the structural and support costs of an administrative, technical and logistical nature which are cross-cutting for the operation of the beneficiary body's various activities and cannot therefore be attributed in full to the project.

Reporting Currency / Conversion Rate

- Costs within the financial statements that are submitted to the European Commission must always be reported in EUR.
- Beneficiaries who keep their accounting in another currency than EUR have to report in EUR as well and they have to use a correct exchange rate. They use either
  - the exchange rate on the date that the actual cost were incurred or
  - the exchange rate on the date of the first day of the month following the end of the reporting period.
  - The exchange rates are fixed, daily, by the European Central Bank (ECB) and can be found under:

    http://www.ecb.int/stats/eurofxref/

- The choice must be used for the complete reporting periods.
- On days when no exchange rate was published you must take the rate on the dext day of publication.

Subcontracting

The general rule is that beneficiaries shall implement the research and shall have the necessary resources to that end.

- Subcontracting is only allowed when specialised jobs (e.g. designing a website) can not be carried out by the beneficiary itself or when it is more efficient to use the service of a specialised organisation.
- A subcontractor is defined by certain characteristics:
  - The agreement between the beneficiary and the partner company is based on „business conditions“.
    - ➔ This means that the subcontractor charges a price, which usually includes a profit for the subcontractor. (This makes it different from other third parties who only charge for the costs of the activities.)
  - The subcontractor is not hierachically subordinate to the beneficiary.
  - The subcontractor carries out parts of the work itself, whereas other third parties (with some exceptions) only make available their resources to a beneficiary.
  - The subcontractor's motivation is pecuniary, not the research work itself.
  - The responsibility vis-à-vis the EU/Euratom for the work subcontracted lies fully with the beneficiary. The work that a subcontractor carries out under the project belongs to the beneficiary in the ECGA. A subcontractor has no rights or obligations vis-à-vis the Commission or the other beneficiaries, as it is a third party. However, the beneficiary must ensure that the subcontractor can be audited by the Commission or the Court of Auditors.
- Subcontracting between beneficiaries in the same project is not allowed.
- Tasks which can be subcontracted:
  - Subcontracted parts should in principle not be „core parts“ of the project work which means that research work itself shall be done by the beneficiary.
- The need for a subcontract must be detailed and justified in Annex I.
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- **Choosing a subcontractor:**
  - Article II.7.2 of ECGA requires beneficiaries to ensure that transparent bidding procedures are used before selecting a subcontractor.

    "Any subcontract, the costs of which are to be claimed as an eligible cost, must be awarded to the bid offering best value for money (best price-quality ratio), under conditions of transparency and equal treatment."
  - The selection has to follow the rules that are usually applied for contracts. Ensure transparency and equal treatment.
  - At least three quotes are required that the selection procedure is valid.

Travel expenses

- Actual travel expenses and related subsistence costs relating to the project are considered eligible direct costs, if they comply with the benefiary's usual practices.
- No distinction between travelling in- or outside of Europe.
- Travel expenses of experts participating on punctual basis in the project are not travel costs.

Contact Information:

Thilo Wieczorek

Universitätsspital Basel
Ressort Finanzen
Drittmittelcontrolling
Hebelstr. 36
CH-4031 Basel

Phone:	+41 - (0)61 - 556 56 85
Fax:	+41 - (0)61 - 265 38 79
mail to:	wieczorekt@uhbs.ch
web:	www.uhbs.ch